



## Energy Efficiency Program Options

### - Strategies Other States Are Pursuing

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## Two Major Options for Utility EE Programs

- Establishing energy savings targets for energy efficiency programs
  - Minnesota, Illinois
- Energy efficiency programs run by a third party
  - Vermont, Delaware
- Hybrid
  - Wisconsin

## Minnesota

- Next Generation Energy Act of 2007
- Transitions MN from spending goals to savings goals
  - Utilities have an annual energy-savings goal of 1.5%
  - Applies to all utilities, both gas and electric
  - Utility can request a lower savings goal, but no less than 1.0%
  - Utilities must operate under energy savings plan by 2010
- Strong EE programs to begin with
- EE goals part of a goal of reducing GHG emissions 15% by 2015, 30% by 2025 and 80% by 2050 (from 2005 levels)

## Illinois

- Energy Efficiency Portfolio Standard (2007)
  - IL utilities required to reduce their delivery load by 0.2% in 2008; savings target increases incrementally to 2.0% in 2015
  - Expected to effectively stop electricity consumption growth in IL by 2013
  - Applies to IOU's only (~97% of electric customers)
  - Electric utilities only; no requirements for natural gas
  - Rate recovery for utilities; annual rate increase capped at 0.5%
  - No significant prior EE programs

## Vermont

- "Efficiency Vermont"
  - Independent nonprofit, founded in 2000
  - Funded by charges on utility bills, which vary by utility (~2.2% of revenue in 2004)
  - In 2004, VT had highest EE spending per capita at \$22.50 (Iowa \$9.76)
  - Programs & savings audited and verified by outside entities

## Delaware

- Legislation in 2007 created "Sustainable Energy Utility"
  - Serves all energy users, all fuels
  - Goal of 30% reduction in household & business energy use by 2015
  - Other focus areas: low-income weatherization, customer-sited renewables (300 MW by 2019)
  - Working capital from tax-exempt bonds; also funded by charge on utility bills
  - May be able to meet all RGGI emission reduction targets through SEU

## Wisconsin

- Hybrid of third party and utility-run programs
- "Focus on Energy" – public benefits fund program administered by WI Energy Conservation Corporation (\$62.9 million in FY 2005)
- 5 IOU's run additional programs (\$38.8 million in FY 2005)
- Program restructured in 2006: Utilities fund & contract for programs directly with third party administrators
  - Avoids raids of public benefit fund
- 1.2% spending requirement for all electric & natural gas utilities

## Considerations

- Arguments for utility-run program:
  - Focus on end results (energy savings) - Does program design really matter?
  - If a good utility-run program, does it make sense to start from scratch?
  - EE programs can be incorporated into utility resource planning
- Arguments for third party program:
  - Inherent tension: Utilities in business of selling energy vs. goal to sell less energy (can be addressed through cost recovery)
  - Energy efficiency sole focus of operation

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